

# **Money Laundering and Jurisprudence**

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Money laundering promotes corporate and individual tax evasion. It worsens economic inequality globally, particularly in the developing world, and helps fund organized criminal activity. Moreover, it aggravates socio-economic disparities. Many things need to be rectified from an enforcement and compliance point-of-view to prevent this activity from spreading its roots.

At a recently held international webinar on anti-money laundering by the Centre for Aerospace & Security Studies ("C.A.S.S"), experts from Pakistan and the United Kingdom also alluded that terrorism in its present form is heavily financed through money-laundering by transferring ill-gotten wealth around the globe through informal channels. [Recently, in an Al-Jazeera report, the fugitive brother of the current Bangladeshi Army chief-with his implicit blessings-was also involved in money-laundering by indulging in businesses, with high cash flow, such as money exchangers and restaurants.](#)

Through shadowy monetary frameworks, illegal funds' movement enables transgressors to proceed with the unlawful movement of wealth while simultaneously tainting markets with perceived integrity in the system. According to an Islamabad Policy Research Institute analysis, around \$1.1 trillion of illicit capital outflow occurred from developing countries to tax havens. This amount is tantamount to almost ten times the size of foreign aid to developing countries combined. The recent revelations of different money launderers and their wealth sources by global whistleblowers—such as Panama Papers and FinCEN files—have brought to light how a large number of shell organizations, owned by other shell companies, are making credits to each other. They are working in tandem with global banks to convert ill-gotten assets (primarily from developing countries) into real capital hidden in off-shore accounts.

Tax evasion and money-laundering are no longer a widespread criminal activity. They have become an industry that promotes a cyclical reaction where more and more people evade the tax net through illicit means. Be that as it may, novel advancements in Artificial Intelligence ("A.I") present unlimited and novel prospects to plug the global financial system's loopholes. A.I can also be useful in detecting irregularities from the big data generated in any anti-money-laundering investigation.

Over the years, banks have also flagged many dubious exchanges, giving controllers and examiners a pile of data to figure out the genuine instances of tax evasion and sifting them from bogus deceptions. New reporting requirements for banks, extended powers of law enforcement organizations, and harsher punishments for guilty parties underpin a growing acknowledgment that money laundering is increasingly becoming a fundamentally global issue. [According to Robert J. DeNault](#), a couple of months back, the U.S Congress passed another law requiring the revelation of valuable proprietors of mysterious shell organizations with an end goal to improve identification of tax evasion. This legislation is a commendable step towards financial accountability.

Nonetheless, policing money laundering is difficult. At the risk of oversimplifying, the U.S. money laundering detection and prevention system is primarily split between the banks and the government. Compliance officers inside banks act like tipsters, flagging transactions and bad actors for regulators. They send their "tips" to treasury regulators in the form of Suspicious Activity Reports (S.A.R.s). According to [Syeda Mehar Zehra](#), head of compliance at one of Pakistan's largest banks: Habib Bank Limited (H.B.L.), a similar process has started to evolve in Pakistan. Whenever banks identify a suspicious transaction, the Financial Monitoring Unit (F.M.U) investigates, analyzes, and sends a report of the suspicious activity to intelligence agencies such as the Federal Investigation Agency (F.I.A), which takes up the case and start working on it. However, in Pakistan, people are still not aware of why they must send documents to

financial institutions. Moreover, due to a lack of awareness and financial accountability mechanisms, there have been instances where large sums of ill-gotten wealth have been transferred from Pakistan to form off-shore companies. After that, these off-shore companies have been used to buy properties in some of the most expensive real estate around the world.

Pakistan has enacted some important legislation in the present governments' tenure to deal with money laundering. The proverbial 'Sword of Damocles' of the Financial Action Task Force (F.A.T.F) black-listing hanging on the country's regulatory bodies has forced it to reform its domestic laws - even though, in the public's perception, the FATF-related legislation is seen as an undue foreign influence on Pakistan's legal and public policy frameworks. The counter-terrorism laws were amended domestically in Pakistan to bring them in line with this framework. Here, the primary legislation to deal with counter-terrorism financing is the 'Anti-Money Laundering Act, 2010.' This formative legislation addresses administrative, regulatory, penal, procedural, and other aspects of international cooperation. It was amended in 2020 with three amendments under the 'Anti-Terrorism (Amendment) Act, 2020' to become more comprehensive.

Moreover, to enhance adherence to the U.N.S.C resolutions, the United Nations Security Council Act, 1948 was also amended by Pakistani authorities and incorporated in domestic legislation to give legal powers to authorities to curb terrorism financing and money laundering. Nonetheless, there remain several inconsistencies in the implementation phase to deal with money-laundering domestically in Pakistan.

According to Shakeel Ramay, a political economist, "[unjust system cannot sustain for long](#)," and it will crumble on its inherent contradictions sooner than later. In this regard, he gives Switzerland's example, which he said used to be Laundromat heaven. However, soon the launderers themselves became unaware of the whereabouts of their ill-gotten funds, which had been siphoned somewhere else. Thus, indicating

the inbuilt inconsistencies of money-laundering and the opaqueness of certain banking systems of the West.

It can be concluded from these developments that the world has moved from the simple detection and flagging of white-collar crimes to policing them. In this regard, efforts have been undertaken to make the anti-money laundering framework more robust. The policing of white-collar crimes requires an increased level of ability and skill. Domestically, Pakistan has enacted some meaningful legislation as cited in this article; however, this legislation's implementation is still tenuous. There is a need to comply with international regulations and apply best practices locally to uncover financial exigencies of the past and deter white-collar criminals from exploiting loopholes in the future. Modern-day requirements and the speed with which the transfer of massive amounts of wealth a.k.a 'hot money' takes place, demands that these measures should be impactful, innovative, and ingenious.

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